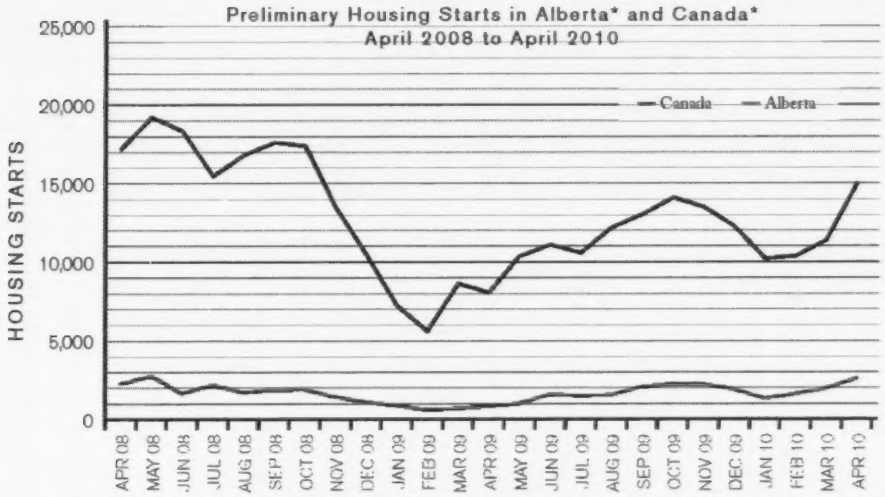
Housing Bulletin Monthly Report

HOUSING STARTS ARE UP ACROSS CANADA, but the PACE IS SLOWING DOWN



- Canada's total preliminary housing starts for April 2010 were up 31.9 per cent over March 2010 and up 86 per cent over April 2009.
- The Alberta Home Builders' Association notes that despite rising interest rates, April 2010 housing starts in Alberta showed impressive gains from a year earlier when homebuilders ceased activity because of the recession and oversupply of inventory.
- According to recent Canada Mortgage and Housing Corporation (CMHC) forecasts, Canadian housing construction starts are expected to stabilize in coming years, following an even stronger rebound in 2010 than previously predicted.
- CMHC's Chief Economist predicts housing starts to become more in line with long-term demographic fundamentals and the home resale market will move towards "balanced conditions" over the next two years.
- Alberta's April 2010 preliminary housing starts increased 32.4 per cent over March 2010 and 211 per cent over April 2009.

* Data reflects centres with a population of 10,000 and over only.
Source: Canada Mortgage and Housing Corporation

ISSUE HIGHLIGHTS

Housing Starts
Stronger demand and lower inventory contributes to higher starts.
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Cost of Living
Consumer Price Index for shelter costs down in Alberta for second month in a row.
Page 3

Mortgage Arrears
Alberta mortgage arrears levelling off, but remain above the national average.
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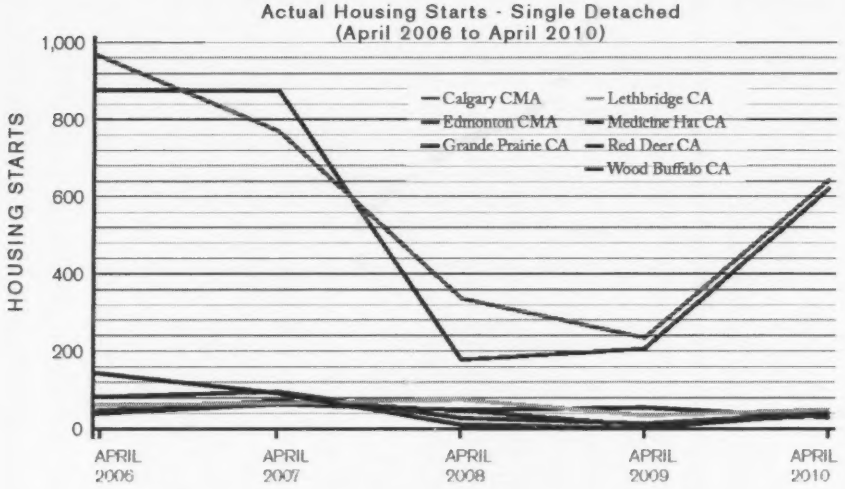
The cost of home ownership will increase as our economy improves relative to the US and other world economies.

(REALTORS' ASSOCIATION OF EDMONTON)

0) Over the past nine months Alberta's housing market was buoyed by extraordinarily low interest rates. As that stimulus is taken away things should cool down (ST. ALBERT GAZETTE, MAY 12, 2010). 0v

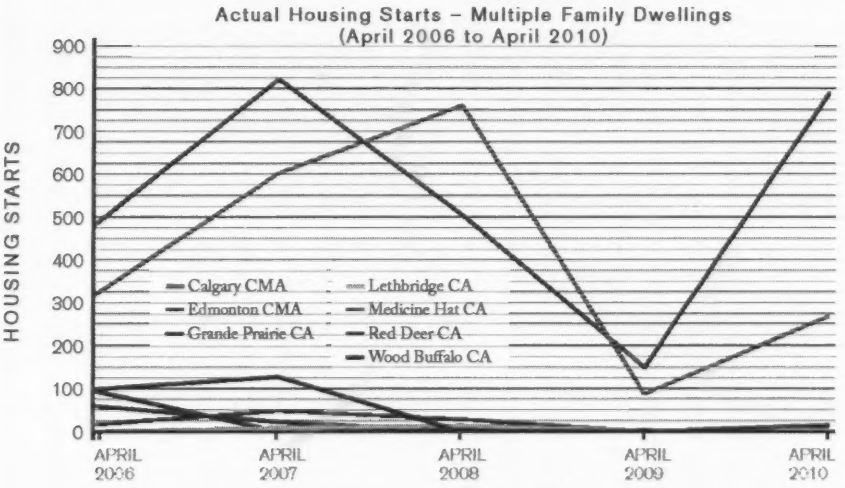
HOUSING STARTS UP ACROSS ALBERTA



- Total single-detached housing starts across Alberta's seven major urban centres increased 163 per cent from 79 starts in April 2009 to 208 in April 2010.
- From April 2009 to April 2010, housing starts for single-detached homes increased 201 per cent in Edmonton and 174 per cent in Calgary.
- Grande Prairie experienced the largest year-over-year increase in single-family starts from just one new home in April 2009 to 40 in April 2010. This is the most building activity on single-family homes in Grande Prairie since November 2009 when 71 new homes were started.
- Wood Buffalo was the only region where single-family starts decreased (46.3 per cent) from April 2009 to April 2010.
- According to Canada Mortgage and Housing Corporation (CMHC), although building activity in the Wood Buffalo region has been slower this year compared to last year, it is expected to pick up in the next few months. The slump in starts early in the first four months of 2010 could be attributed to builders focusing more on completing units that were already underway than starting new homes.

Source: Canada Mortgage and Housing Corporation

MULTI-FAMILY STARTS SPIKED in EDMONTON



- Overall, construction of multi-family dwellings increased 346 per cent from April 2009 to April 2010 across Alberta's major centres. The largest jump in multi-family starts occurred in Edmonton, which rose from a low of 149 starts in April 2009 to 787 starts in April 2010, an increase of 428 per cent. This is the second highest level of multi-family starts seen in Edmonton in the last five years.
- Grande Prairie was the only region to report a decline in multi-family starts from two in April 2009 to no starts in April 2010.
- According to CMHC, although inventories for multi-family dwellings remain elevated, builders will start more units in 2010 than in 2009 as more semi-detached and row units are expected to be produced. However in 2010, total multi-family activity will still remain below historical norms. The recovery of multi-family housing starts will continue into 2011 with the expanding economy.

Source: Canada Mortgage and Housing Corporation

Lower inventory, stable demand and improving consumer confidence have boosted home building in the Edmonton region to "normalized" levels from the lows of last year. (EDMONTON JOURNAL, MAY 11, 2010). Lo

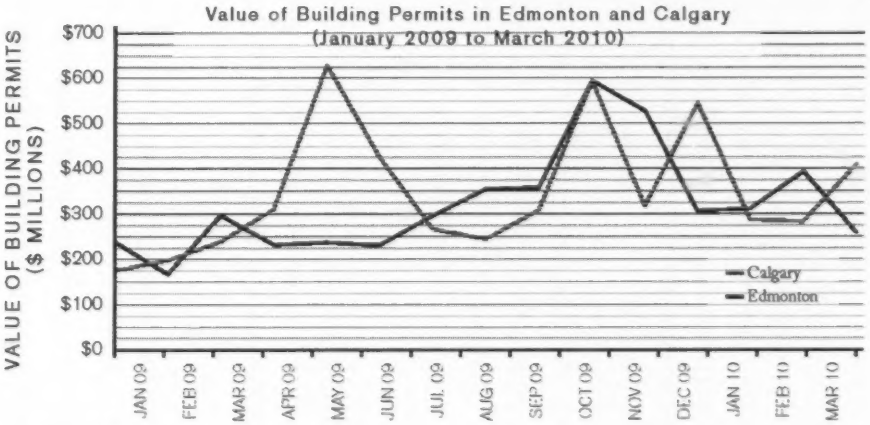
AFFORDABILITY for SHELTER IMPROVED

- Edmonton's average resale price appears more stable with less fluctuations over time, which may aid in keeping Alberta's shelter CPI from climbing higher.

* Average resale price is for a single-family dwelling only.
** Shelter includes Rented and Owned (owned includes owner's replacement costs, home and mortgage insurance and maintenance costs) and water, fuel and electricity.
*** MLS = Multiple Listings Service.
Source: Statistics Canada and Alberta Real Estate Association

- According to Statistics Canada, the Consumer Price Index (CPI) for shelter attempts to capture the costs of housing, including both rental costs and homeownership costs.
- Alberta's shelter CPI peaked in August 2008 at 156.9, then fell to a low of 145.2 in September 2009.
- In October 2009, Canada Mortgage and Housing Corporation (CMHC) reported a decline in average rents across Alberta from $975 in October 2008 to $949 in October 2009.
- Calgary's average resale price appears to have a closer relationship to the shelter CPI, suggesting that the CPI is more sensitive to price fluctuation in the Calgary market which is one of the most expensive regions in Alberta to purchase a home.

BUILDING PERMIT VALUES SPIKE in CALGARY BUT FALL in EDMONTON



Source: Statistics Canada

- According to Statistics Canada, the value of permits issued in Edmonton in March 2010 was 34.4 per cent lower than February 2010 and 12.6 per cent lower than March 2009.
- The value of permits issued in March 2010 in Calgary jumped 44.7 per cent over the previous month and 71.7 per cent over March 2009, marking one of the biggest gains in Canada.
- According to a financial economist from ATB Financial, although housing starts have been flying high recently, current building permit figures indicate housing starts could start to slow slightly from their current levels later in the year (*Edmonton Journal*, May 11, 2010).

0) According to TD Bank, house prices in Canada are currently overvalued by about 15 per cent, but longer-term economic factors should narrow that gap to 10 per cent by the end of 2011 (EDMONTON JOURNAL, MAY 5, 2010). A

EDMONTON RESALE PRICES and LISTINGS UP in APRIL 2010

YEAR-TO-YEAR COMPARISON OF HOUSING RESALE ACTIVITY IN EDMONTON IN THE MONTH OF APRIL

	AVERAGE PRICE							
	Single-Family Dwelling	Condominium	Duplex / Rowhouse	Days on the Market	Residential Listings	Residential Sales	Monthly Sales to Listings Ratio	Average Year to Date Sales to Listings Ratio
Apr 06	$269,314	$163,790	$224,628	28	2,177	2,220	101	91
Apr 07	$419,635	$260,653	$341,284	21	3,306	2,562	77	78
Apr 08	$383,785	$255,514	$302,093	53	4,478	1,798	40	37
Apr 09	$356,143	$237,141	$287,846	55	3,016	1,849	61	46
Apr 10	$385,359	$253,788	$322,127	40	3,884	1,740	44	45

- The average price of a single-family dwelling in Edmonton increased by 8.2 per cent from April 2009 to April 2010. The same upward trend was found in the condominium (7.0 per cent) and multi-family (11.9 per cent) sectors.
- A single-family home sat for sale in Edmonton's resale market for an average of 40 days in April 2010. This represents a 27.3 per cent drop over April 2009 and points toward balanced market conditions.

- Listings in April 2010 were up 28.8 per cent over April 2009, while sales were down 5.9 per cent.

Source: Realtors' Association of Edmonton

CALGARY'S HOT RESALE MARKET to be TEMPERED BY RISING INTEREST RATES

YEAR-TO-YEAR COMPARISON OF HOUSING RESALE ACTIVITY IN CALGARY IN THE MONTH OF APRIL

	SINGLE-FAMILY DWELLING					CONDOMINIUM				
	Average Price	Month End Inventory	New Listings Added	Sales	Days on the Market	Average Price	Month End Inventory	New Listings Added	Sales	Days on the Market
April 07	$474,250	2,881	3,100	2,086	24	$329,429	898	1,157	839	23
April 08	$474,564	6,881	3,377	1,363	40	$312,586	3,214	1,493	581	45
April 09	$426,311	4,130	2,010	1,290	52	$277,953	2,043	967	579	58
April 10	$460,378	4,986	3,082	1,352	36	$289,588	2,445	1,335	639	41

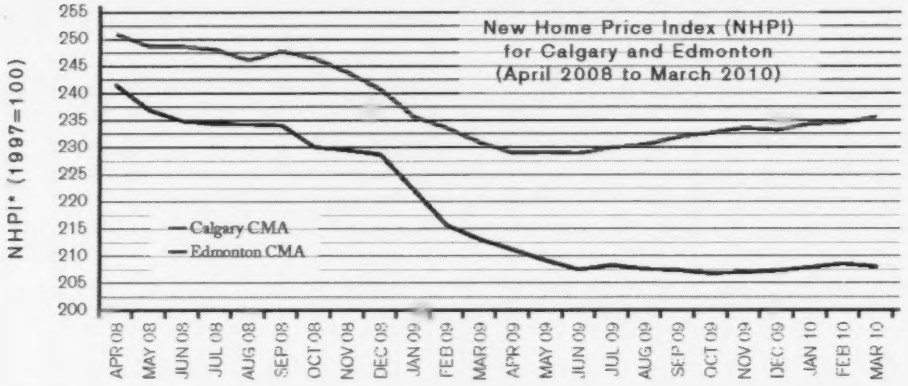
- The number of single-family homes sold in April 2010 in Calgary rose nearly 5 per cent over April 2009, while the sale of condominiums rose by 10.4 per cent over the same period.
- The average selling price of a single-family home rose by 8 per cent from April 2009 to April 2010. According to the Calgary Real Estate Board, the pace of price increase has been tempered by the rate of new listings, which is growing faster than sales.

- The average number of days a single-family home sat on the market was down 30.8 per cent from April 2009. This increased uptake of single-family homes did not translate into double digit price jumps because of the saturation of the market with new listings.
- According to Canada Mortgage and Housing Corporation, rising home values in Calgary and higher interest rates will push monthly carrying costs upwards, increasing the gap between average monthly rent and mortgage payments, which will reduce the incentive to move into home ownership.

Source: Calgary Real Estate Board

OUSING CORPORATION) The trend in resale activity has moderated in 2010 from the heightened pace experienced toward the end of last year (CANADA MORTGAGE AND HOUSING CORPORATION). The trend in

NEW HOME PRICES INCREASE MODERATELY in CALGARY



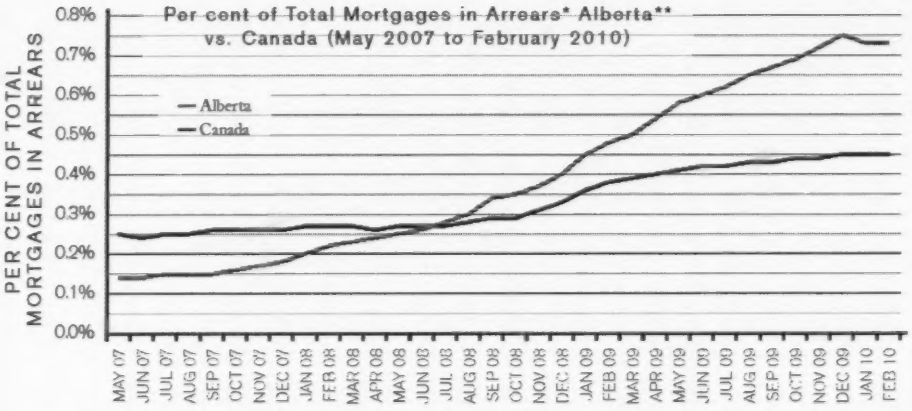
- The increase in Calgary may be due to rising demand and competition from homebuyers. The NHPI in Calgary is consistent with other indicators that suggest Calgary's real estate market is showing continued strength.

* NHPI measures changes over time in the selling prices of new residential houses, where detailed specifications pertaining to each house remain the same between two consecutive periods. The NHPI is used by housing economists, universities and the general public to track and comprehend events and trends in this important component of the construction sector.

Source: Statistics Canada

- From March 2009 to March 2010, the price index for new homes in Edmonton fell 2.4 per cent, one of only three Canadian metropolitan regions to register a year-over-year decline.
- Edmonton's NHPI hit its lowest point of 207 in November 2009 and has hovered around that mark ever since. NHPI is widely viewed as an indicator of economic health, which suggests that overall economic recovery in Edmonton is occurring at a more moderate pace.
- Calgary posted a slight year-over-year increase of 2.04 per cent over March 2009.

PROPORTION of ALBERTA MORTGAGES in ARREARS* LEVELLING OFF



- As of February 2010, 0.45 per cent of mortgages in Canada were in arrears, marking the third consecutive month at this level.
- In Alberta, 0.73 per cent of mortgages were in arrears, suggesting the number of home owners falling into arrears may be levelling off across the province after rising steadily for almost two years.
- It was not until July 2008 that the level of arrears in Alberta surpassed the national average. This also marks the period when the effects of the recession began to deepen in Alberta with the onset of higher unemployment rates.
- While it is important to note the increase in mortgage arrears across the country, they provide only a snapshot of affordability problems. According to a study completed by the Certified General Accountants Association of Canada, Canadian households have the largest consumer debt to financial assets ratio among the 20 advanced countries surveyed. This overspending and debt accumulation could raise concerns over the possibility of rising arrears in the coming years.

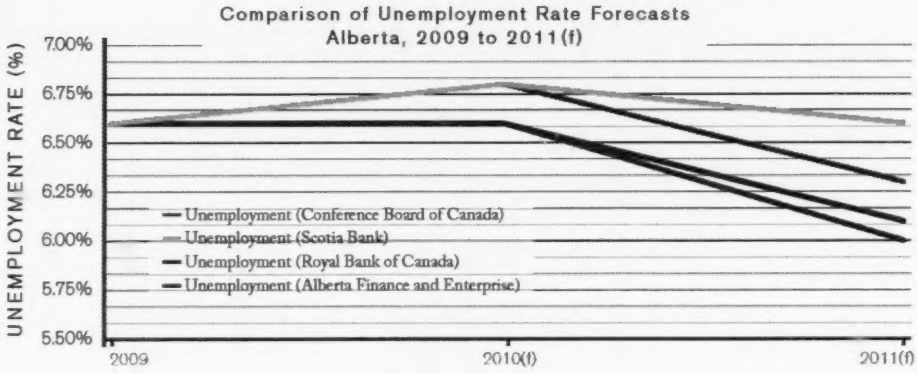
* A mortgage is considered to be in arrears when three or more months of payments are overdue.

** Data for Northwest Territories and Nunavut are included in Alberta.

Source: Canadian Bankers' Association.

Heavily leveraged consumers could find themselves struggling to make their payments. Pressures would also arise if unemployment were to move up or the housing market to deteriorate (FINANCIAL POST, MAY 12, 2010).

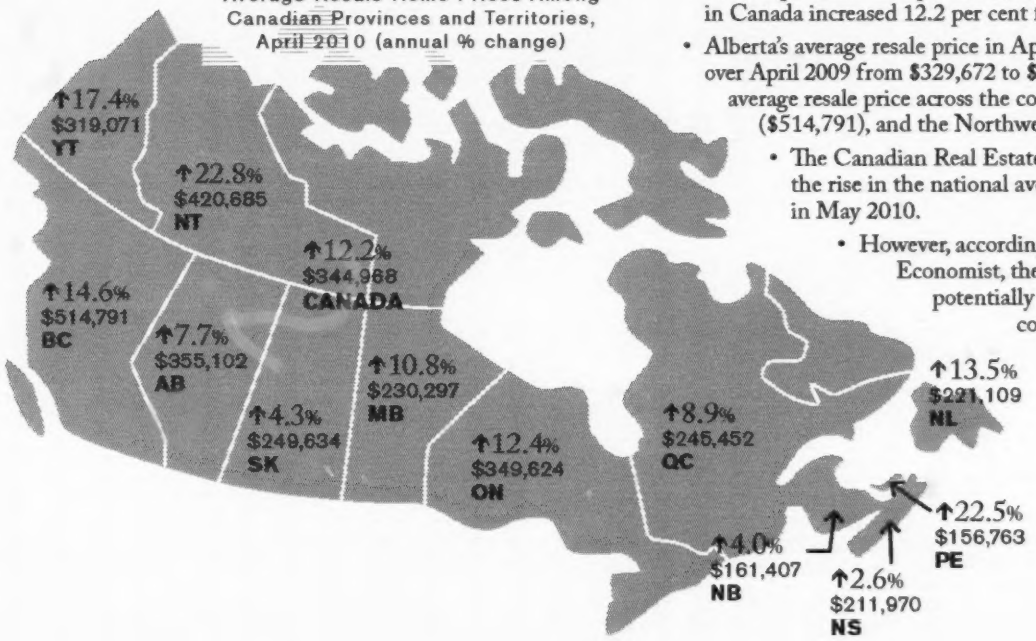
UNEMPLOYMENT RATE WILL FALL, but TO WHAT DEGREE REMAINS UNCLEAR



- Forecasts for Alberta unemployment rates for 2010 and 2011 differ across major data sources. Finance and Enterprise posts the most optimistic forecast, with the unemployment rate projected to fall from 6.6 per cent in 2009 to 6.0 per cent by 2011. Scotia Bank is the least optimistic, projecting a rise to 6.8 per cent in 2010 and resettling back at 6.6 per cent by 2011.
- The Conference Board of Canada expects more than 72,000 net new jobs to be created in Alberta in 2011. However, more people entering and competing for jobs in the labour force could keep the jobless rate high.
- The volatility in the oil and gas sector in particular makes it difficult to project unemployment rates in Alberta. This, coupled with the ebb and flow of net interprovincial migration to Alberta, adds to the complexity of predicting the unemployment rate for Alberta.

Sources: Finance and Enterprise, Conference Board of Canada, Scotia Bank and Royal Bank of Canada.

HOME PRICES CONTINUE to ESCALATE ACROSS CANADA



- From April 2009 to April 2010, the average price for a resale home in Canada increased 12.2 per cent from $307,435 to $344,968.
- Alberta's average resale price in April 2010 increased 7.7 per cent over April 2009 from $329,672 to $355,102. This is the third highest average resale price across the country after British Columbia ($514,791), and the Northwest Territories ($420,685).
- The Canadian Real Estate Association (CREA) expects the rise in the national average price to be more subdued in May 2010.
- However, according to the CREA's Chief Economist, the national average price could potentially be skewed higher over the next couple of months if buyers in Ontario and British Columbia move their purchase decision forward to beat the introduction of the Harmonised Sales Tax in July 2010.

Source: Canadian Real Estate Association

OF MONTREAL) Canada's housing market has gone from full gallop to stately canter and is poised to slow to a leisurely trot in the months ahead (BANK OF MONTREAL). Canada's housing market is p